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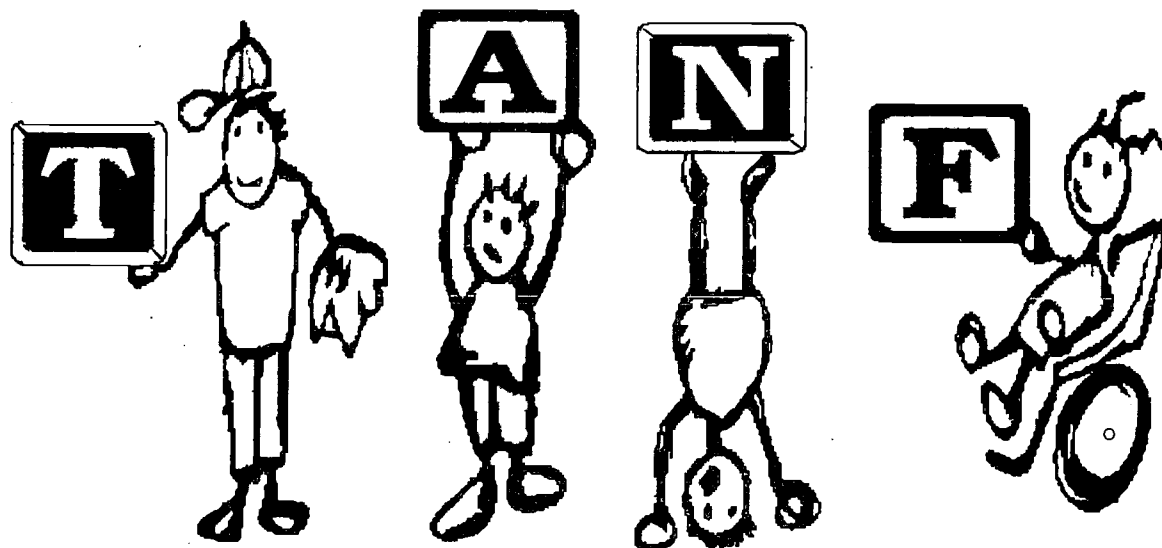
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ABSTRACT

This guide suggests ways that states may expend their federal Temporary Assistance for Needy Families (TANF) and State Maintenance-of-Effort (MOE) funds. The guide is organized into these seven sections: (1) "Introduction" provides background information, explaining the progress that has been made on welfare reform, what the funding situation is, the purposes of TANF, and the purpose of the guide; (2) "Considerations in Deciding Whether a Use of Funds Is Appropriate" lists factors that a state should consider when deciding what benefits and services to fund with federal or state dollars; (3) "Federal TANF Funds" addresses the basic criteria that apply to the expenditure of the federal block grant funds; (4) "State Maintenance-of-Effort (MOE) Funds" addresses the basic criteria for determining whether state expenditures would count as part of the minimum state financial contribution to the TANF program; (5) "Appropriate Uses of Funds" provides examples of benefits and services that might be paid for with federal TANF or state MOE funds, including support for work activities, child care, transportation, education and training, mental health/substance abuse counseling/treatment, aid to victims of domestic violence, developmental and learning disabilities assistance, enhancing or supplementing the family income or assets, child welfare, family formation and pregnancy prevention, and community development; (6) "Additional Considerations" provides more detailed information about the potential implications of providing "assistance" and other kinds of benefits under the TANF program, as well as information about what kinds of expenditures are allowable; and (7) "General Guidelines and References" identifies eight additional sources of information about the appropriate use of federal and state funds and a chart summarizing the specific program requirements that would apply under different state program designs. (KC)

Helping Families Achieve Self-Sufficiency

A Guide on Funding Services for Children and Families through the TANF Program



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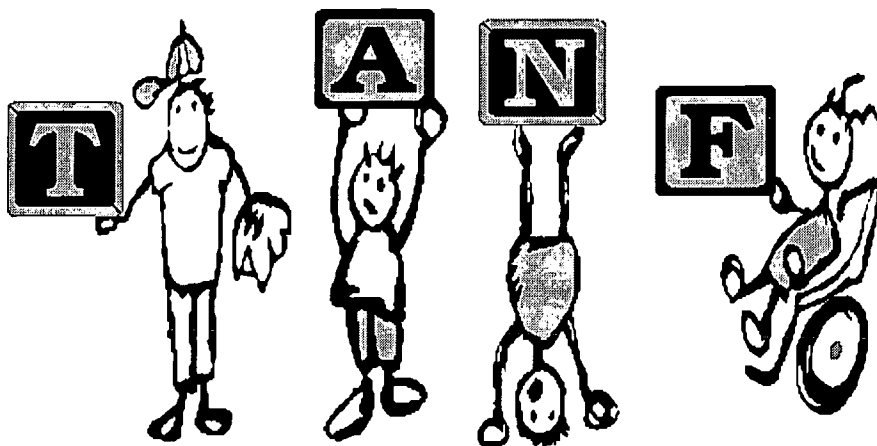
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Department of Health and Human Services
Administration for Children and Families
Office of Family Assistance

Helping Families Achieve Self- Sufficiency

A Guide on Funding Services for Children and Families through the TANF Program



**Department of Health and Human Services
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Executive Summary

Spurred on by the passage of the landmark welfare reform legislation -- the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 -- States have made tremendous progress toward the critical goal of moving families from welfare to work. More families are entering employment, earnings are up, and caseloads are down.

The Temporary Assistance for Needy Families (TANF) program has given States new opportunities to develop and implement creative and innovative strategies and approaches to remove families from a cycle of dependency on public assistance and into work. For example, many are turning welfare offices into comprehensive service centers focused on work or changing policies so that work pays.

However, in spite of some dramatic results, there are still individuals not working or in entry-level jobs, with incomes that are too low or too erratic to raise their families above poverty. Under TANF, States have the flexibility and resources to develop programs that reach all families, promote success at work, and convert welfare offices into job centers. The task of welfare reform is far from finished. We encourage States to take the critical next steps to ensure that all families get the essential supports they need to get a job, succeed at work, and move out of poverty. Some important areas for States and communities to address include:

- ◆ Ensuring that families have sufficient food, medical coverage, quality, affordable child care, and reliable transportation that enables them to work;
- ◆ Ensuring that custodial parents receive child support from noncustodial parents so they may pay their bills and adequately provide for their children;
- ◆ Focusing on educational and training opportunities that improve wages and working conditions for low-income families;

- ◆ Crafting services for families with special needs or multiple employment barriers that appropriately and effectively address their needs; and
- ◆ Developing collaborative linkages among employers, local leaders and organizations, and faith-based and nonprofit community groups so as to combine their resources and talents to create jobs, support work, and make low-income neighborhoods more viable.

The TANF program provides extraordinary flexibility for funding a wide variety of employment and training activities, supportive services, and benefits that will enable clients to get a job, keep a job, and improve their economic circumstances. TANF funds are much more flexible than funds under the prior entitlement programs. **So States should start with the assumption that they may use these funds in innovative ways to achieve the critical goals laid out in the TANF statute.**

As a general rule, States (or local governments and other agencies where decision-making has devolved from the State agency) must use the available funds for eligible, needy families with a child and for one of the four purposes of the TANF program:

1. To provide assistance to needy families;
2. To end dependence of needy parents by promoting job preparation, work and marriage;
3. To prevent and reduce out-of-wedlock pregnancies; and
4. To encourage the formation and maintenance of two-parent families.

States must use objective criteria for determining eligibility and benefits. However, they may decide the income and resource standards that they will use to determine eligibility, and they may set different financial eligibility criteria for different benefits or services. (For example, they could limit eligibility for cash assistance to families living below poverty, but provide supportive services like child care and transportation to working families with incomes up to 185% of poverty.) Further, since individuals do not have an entitlement to TANF benefits, States may elect to target benefits to families with incomes below their established eligibility guidelines.

States fund their TANF programs with a combination of Federal and State funds. While both are very flexible, the two sources of funds entail somewhat different rules and restrictions.

Federal TANF Funds. If States use Federal funds provided through their TANF block grants to provide “assistance,” recipients are subject to work and participation requirements, a five-year time limit on Federal assistance, data reporting, and certain prohibitions. But these restrictions do not generally apply to other services and benefits that are not “assistance.” Also, States have broad discretion to provide a wide range of benefits and services and to set different eligibility standards for the different types of benefits.

State “maintenance-of-effort” (MOE) funds. States must spend 80% of their historic level of spending (FY 1994) -- or 75% if they meet work participation requirements -- on “qualified State expenditures” to meet the basic MOE requirement. All MOE funds must be spent on TANF eligible families.

This guide suggests some of the many flexible ways States may expend their Federal TANF and State MOE funds to further the purposes of the TANF program. These examples are by no means exhaustive. They merely serve to illustrate a few of the possibilities that State and local agencies, State legislators, communities, community-based organizations, and advocates may consider when designing an array of benefits, services, and supports that will accomplish one of the four purposes of the TANF program. We hope that the principles and illustrations in this guidance will promote the design of creative and innovative programs that effectively address the needs of low-income families.

This guide is organized into seven sections:

Introduction provides some background information, explaining what progress has been made on welfare reform, what the funding situation is, the purposes of TANF, and the purpose of this guide.

Considerations in Deciding Whether A Use of Funds is Appropriate presents a list of factors which a State would consider in deciding what benefits and services to fund with Federal or State dollars.

Federal TANF Funds addresses the basic criteria that apply to the expenditure of the Federal block grant funds.

State Maintenance-of-Effort (MOE) Funds addresses the basic criteria for determining whether State expenditures would count as part of the minimum State financial contribution to the TANF program.

Appropriate Uses of Funds provides numerous examples of benefits and services that might be paid for with Federal TANF or State MOE funds.

Additional Considerations provides more detailed information about the potential implications of providing "assistance" and other kinds of benefits under the TANF program. It also provides more detailed information about what kinds of expenditures are allowable.

General Guidance and References identifies additional sources of information about the appropriate use of Federal and State funds. It also includes a chart summarizing the specific program requirements that would apply under different State program designs.

We hope that this guide will facilitate the development and sharing of creative ideas, and we invite States to send us information about successful strategies and innovative approaches. We will post them on our Internet page (www.acf.dhhs.gov) so that everyone can benefit from this information. Also, we encourage contact with Regional Office or Central Office staff who are available to answer any fiscal or policy questions about strategies being considered.

Introduction

➤ The purpose of this guide

The purpose of this guide is to show how States may use Federal TANF and State MOE funds to support working families and to address the needs of clients with barriers to self-sufficiency. The flexibility available under TANF presents new opportunities for funding a greater variety of activities, services, and benefits and for fostering new collaborative partnerships.

Because the funding of TANF is complex, State agencies, advocates, community groups, and State legislators may be unsure about the array of options available. Therefore, we developed this guide as a ready reference tool that would promote creative thinking about potential services, supports, and activities that States might adopt to further the purposes of the TANF program.

This guide presents examples of the many flexible ways States may use TANF and MOE funds to further the purposes of the TANF program. It does not contain new rules or policies. Although it summarizes the general limitations and prohibitions on the use of funds, we do not intend for it to serve as a definitive policy manual. States and locales should review the recently issued final rules and consult with Regional Office or Central Office staff if they have fiscal or policy questions about strategies they are considering.

The guide does not attempt to identify all possible appropriate uses of TANF and MOE funds, but simply provides a list of representative examples. Omission of a particular activity or service from the list does not necessarily mean that associated expenditures are not allowable. Also, inclusion of a particular example does not mean that such expenditures are categorically allowable, under all funding streams or for all types of recipients.

➤ Accomplishments

Over the past several years, States have made great progress toward the critical goal of moving families from welfare to work, spurred on by the passage of the

landmark Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA). This legislation created the TANF program.

The TANF program has expanded the opportunities States have to develop and implement creative and innovative strategies and approaches to remove families from the cycle of dependency on public assistance and into work. Across the country, we are seeing welfare offices transformed into comprehensive service centers focused on work. Case managers are being energized by their success in helping families find jobs and enter the economic mainstream. States have dramatically improved policies to help ensure that work pays. For example, they are allowing families to keep a larger share of their earnings, supplementing the Federal Earned Income Tax Credit with refundable State credits, allowing ownership of more reliable automobiles, helping families accumulate assets through Individual Development Accounts, and investing new resources in child care services.

The results are dramatic:

- The proportion of people who are working after receiving assistance is much higher than in the past.
- A variety of “leaver” studies conducted by the States show that 50-65% of families leaving the rolls are working afterwards.
- The latest Census Bureau statistics show that nearly one-third of the families that were on welfare in 1997 were working in March of 1998 – that’s 1.5 million working parents.
- Eighteen percent of clients receiving assistance now have earnings, more than double the level in 1993.
- The amount of monthly earnings for these welfare families who are working is up from a monthly average of \$450 in fiscal year 1996 to \$592 in the last quarter of fiscal year 1997.
- The number of individuals on welfare has been reduced by 46% since President Clinton took office.

➤ Needs

Even with these dramatic results, there are still individuals without work or in entry-level jobs. While these jobs typically pay more than welfare, they may leave families with incomes that are too low or too erratic to escape poverty. Some studies are showing that, within a year of finding jobs, 30-40% of families are back on assistance or still combining welfare with work.

It is clear that poverty is significantly correlated with bad results for families: poor nutrition and health, unsafe housing, dangerous neighborhoods, and inadequate cognitive development of children. Recent findings from the New Hope demonstration program in Milwaukee demonstrate that investments in working families -- particularly child care and health care -- can yield very impressive results in helping families succeed in jobs and improve the well-being of children. Under TANF, States have the flexibility and resources to contribute to these kinds of investments.

To succeed over the long run, collaboration among a range of community organizations and of governmental agencies must occur to address how best to serve clients with needs such as developmental disabilities, learning problems, substance abuse, mental health problems, rural isolation, and domestic violence.

➤ The purposes of the TANF program

States decide the services or benefits that are to be provided using their Federal and State funds. A State must use all of its Federal TANF and State MOE funds to meet one of the four purposes articulated in the Federal TANF statute or, in the case of the Federal TANF funds, to continue providing services and benefits that it was authorized to provide under its former title IV-A or IV-F State plans (which covered Aid to Families with Dependent Children (AFDC), Emergency Assistance (EA), Job Opportunities and Basic Skills Training (JOBS), and Supportive Services). In brief, the four purposes are to:

1. Provide assistance to **needy families**;
2. End the dependence of **needy parents** by promoting job preparation, work and marriage;
3. Prevent and reduce out-of-wedlock pregnancies; and
4. Encourage the formation and maintenance of two-parent families.

I.e., financially needy under the objective criteria for need specified in the State's TANF plan.

A State may use its TANF or MOE funds for services and benefits that directly lead to (or can be expected to lead to) the accomplishment of one of these four purposes. For example, it could fund special initiatives to improve the motivation, performance, and self-esteem of youth (e.g., activities like those included in the HHS Girl Power! Campaign or sponsored by the Boys and Girls Clubs) because such initiatives would be expected to reduce school-dropout and teen pregnancy rates.

There are restrictions on use of funds for educational activities.

➤ **Availability of funds**

States have two primary funding sources for their TANF programs:

- The annual Federal TANF block grant; and
- Their annual State maintenance-of-effort (MOE) funds.

Both sources of funding provide significant resources for States to invest in the services that families need to move from welfare to work, stay in the workforce, and move out of poverty. States have received tremendous financial benefits from the flexibility available under TANF and the strong economy. Many States have unobligated TANF funds available, giving them an unprecedented opportunity to invest in families with significant barriers to employment, provide additional supports for low-income working families, or design pregnancy prevention and family formation programs.

In deciding how to best use their TANF and MOE funds, it is critical that State agencies, including agencies such as child support, transportation, housing, and child care, develop strong collaborative relationships with businesses, local agencies, and community organizations in developing strategies and delivering services. While States have been enormously successful in placing millions of clients into work, efforts must extend to reach all needy families, including those that face multiple barriers to success and who face time limits for receiving public assistance.

Considerations in Deciding Whether A Use of Funds Is Appropriate

States should start with the assumption that they may use their funds in innovative ways to achieve the critical goals laid out in the TANF statute. The following steps outline a simple step-by-step process to follow in determining how to best use the available funds.

➤ **Identify the benefit, service or activity the State would like to provide**

The first step in the process of deciding how best to use TANF and MOE funds is to identify needs within the State and prioritize them. This step includes identifying needs, weighing alternative options and strategies that address these needs (e.g., for consistency with TANF purposes and requirements), selecting the most appropriate services and benefits, and designing programs or activities that reflect those decisions.

➤ **“Assistance” versus other benefits**

If the proposed program or activity achieves a TANF purpose, the second step involves determining the nature of the benefit. A State may choose to spend funds on activities that are considered **"assistance"** under the Federal regulations.

See pp. 25-26
and §260.31 of
TANF rule for
additional
information on
"assistance."

These activities are subject to a variety of spending limitations and requirements -- including work, time limits, child support assignment, and data reporting. A State may also choose to fund activities that are not considered **"assistance."** These latter activities would not have the same requirements associated with them.

➤ **Eligibility**

The next step is to define individual eligibility criteria (which would generally be in the form of income and/or resource standards) for receipt of benefits. The first and second purposes of TANF concern only **"needy families"** or **"needy**

parents,” respectively, as defined by State criteria. Thus, a State must establish financial eligibility criteria for benefits under either of these purposes. For the third and fourth purposes, a State may use Federal funds to provide services to both needy and non-needy families that are consistent with those purposes.

➤ **Use of Federal or State funds**

The State must then decide how to fund the desired program benefits and services. This decision will determine what specific requirements apply and whether a particular use of funds is appropriate.

All State expenditures claimed under the MOE requirements must be made with respect to "**eligible families**." These families need not actually be TANF recipients in order to receive services or benefits funded with MOE dollars; they need only be financially eligible for the service or benefit (and have a minor child living with an adult relative in the home). The definition of "**eligible families**" is very similar to that of "needy families"; eligible families are families that meet the income and resource standards in the State plan. In addition, they must be either: (1) eligible for TANF; or (2) eligible for TANF, but for the five-year time limit on federally funded assistance or the restrictions on benefits to immigrants found in title IV of the 1996 welfare law (Public Law 104-193).

In addition, the State may count as MOE only the qualified expenditures that exceed its program spending in 1995. This limitation is referred to as the "new spending test."

A State may expend Federal funds, but not State MOE funds, for activities that were previously authorized under its IV-A or IV-F plans, but which are not otherwise allowable under TANF (including juvenile justice and/or State foster care maintenance payments).

➤ **General limitations**

The final step in determining how best to use the available TANF funds is to determine what requirements, limitations, and restrictions apply to the selected activities or services. The last two sections of this guide outline the statutory requirements, restrictions and cost principles that apply. For example, they address the requirements associated with "**assistance**" for certain clients, the

administrative cost caps, the medical services prohibition, and general appropriations principles. Specific questions on these limitations can be directed to the ACF Regional Offices for clarification.

Federal TANF Funds

➤ **Flexibility to meet program goals**

The TANF program gives States broad flexibility to make program and funding decisions that they believe will best support the goals of the program and their individual circumstances. They may use Federal funds for a wide array of services and benefits that were previously allowable only through specific, categorical programs. States should view their Federal TANF grant as a source of funds that they may use creatively to support work and the efforts of low-income working families, promote marriage, and reduce and prevent out-of-wedlock childbearing. In support of these goals, they may use their funds to fill gaps in the service delivery system, integrate program services, and supplement or enhance the services available through other programs.

Key features of the TANF program include:

- **Ability to tailor services**

Under the prior public assistance program, all families in similar circumstances of need were entitled to a standard package of basic benefits and services. Under TANF, States have the ability to offer services to some, but not all, families and to tailor services and benefits so that they better address the needs of individual clients. They also have the ability to make adjustments in the services they offer, depending upon funding availability and other factors. However, under their TANF State plans, States must set forth the objective criteria for the determination of eligibility and the delivery of benefits and for the fair and equitable treatment of clients.

- **State discretion about eligibility**

States may set different financial eligibility criteria for different types of benefits in order to increase the number of families they help to become self-sufficient. For example, States may set higher income standards to establish eligibility for transitional benefits (i.e., for those no longer receiving cash assistance) in order to provide these families child care, transportation, and other job retention and advancement services. For instance, States may limit eligibility for TANF cash

assistance to families with income below poverty, while making transitional child care and transportation services available to families with incomes up to 185% of the poverty line. By adopting these different standards, States may provide work supports to a broader range of low-income, working families.

Under this principle, a State can set different financial eligibility criteria based on any number of categorical distinctions. For example, as we indicated above, States may apply different standards for "**assistance**" than for other types of benefits or services. Also, where appropriate, a State may deem specific groups financially eligible for particular services if there is a categorical, factual basis (for example, homelessness) for determining financial need.

- **Continuation of waiver policies**

A State that had a welfare reform waiver(s) approved before enactment of PRWORA may continue to operate its program under some or all of those waivers rather than the TANF rules. For States that elect this option, the provisions or requirements of TANF that are inconsistent with the waiver are not effective until the applicable waivers expire.

- **Limited Federal rules**

Under TANF, the Federal government may not regulate State conduct or enforce any provision except to the extent expressly provided by law. Consistent with the principle of State flexibility in program design, the final TANF rules regulate only where Congress specifically directed the Department of Health and Human Services to do so or where the Department is charged with enforcing penalties.

➤ **Use of Federal TANF funds**

State, local, and Tribal TANF agencies, or private organizations providing services under contract with the TANF agency, may use Federal TANF funds in one of three fundamental ways:

(1) For the purposes of TANF

Under this provision, allowable expenditures for particular activities, benefits, or services consist of those that are "in any manner reasonably calculated to

accomplish" any one of the four purposes of the TANF program. Activities, benefits, or services that are reasonably calculated to accomplish a TANF purpose are those that directly lead to (or can be expected to lead to) achievement of a TANF purpose. This language includes all activities that are obviously related to a purpose. It also includes activities whose relationship to a purpose may not be obvious, but for which there is evidence that it achieves a purpose. For example, there is a clear statistical relationship between staying in school and lower teen pregnancy rates. Thus, we would conclude that special initiatives to keep teens in school are reasonably related to the third purpose of TANF – to reduce out-of-wedlock pregnancies.

States may use Federal TANF and State MOE funds in accordance with this principle for a variety of eligible activities.

The four purposes are:

- a) **To provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;**

Spending to achieve this purpose covers only **needy families** so children may live with their parents or other relatives. It does not cover children living with non-relatives. A needy family is one that meets the income and/or resource standards established by the State in its TANF plan. A State may establish a variety of income and resource standards for "**assistance**" and other services and benefits.

Spending under this purpose is not limited to benefits that are within the regulatory definition of "**assistance**." A State may provide other services in support of this purpose. For example, funding of home repairs or food banks to provide groceries to needy families would be consistent with the purpose, even if the benefits provided do not fall within the definition of "**assistance**."

- b) **To end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage;**

Under this purpose, a State could help any **needy parent**, including a noncustodial parent or a working parent, by providing employment, job preparation, or training services. Examples of potential services include job or career advancement activities, marriage counseling, refundable earned income tax credits, child care

services, and employment services designed to increase the noncustodial parent's ability to pay child support. Activities that promote any one of the three objectives – job preparation, work, and marriage -- would be consistent with this purpose.

Like a **needy family**, a **needy parent** must meet the income and/or resource standards established by the State in its TANF plan.

The following example illustrates how some of the funding principles would apply in meeting this TANF purpose.

A State agency determines that there are insufficient child care services available for the pre-school age children of working needy parents. A Head Start facility can meet this need. The TANF agency could contract with the Head Start grantee to provide child care services for a number of TANF families who are not enrolled in Head Start or to provide expanded hours of child care services for TANF families whose children are enrolled in the Head Start program.

The State agency may pay for these services with Federal TANF or State MOE funds. (However, the Head Start grantee must account for the TANF and MOE funding separately from its Head Start funding and must also be able to identify the needy or eligible families served with the TANF or MOE funds.)

- c) **To prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and**

Neither this purpose nor the following purpose (related to family formation) is limited to needy families or individuals. Thus, a State may use Federal TANF funds, but not MOE funds, to serve non-needy families or individuals for either of these two purposes. However, the State must establish objective criteria for the delivery of services to the non-needy.

Potential activities that would be reasonably calculated to accomplish this purpose include abstinence programs, visiting nurse services, and programs and services for youth such as counseling, teen pregnancy prevention campaigns, and after-

school programs that provide supervision when school is not in session. A State may also fund a media campaign for the general population on abstinence or preventing out-of-wedlock childbearing.

d) To encourage the formation and maintenance of two-parent families.

A significant share of TANF families consists of unmarried mothers with low skills who live with their children apart from low-skilled, underemployed fathers. Many of these fathers are involved in the lives of their children and provide some financial support, but would like to do much more. Historically, however, the fathers have found limited employment opportunities, and welfare rules have worked to discourage family formation and fuller involvement of these fathers in the lives of their children.

This fourth TANF purpose offers the opportunity to address these issues. Some activities that are reasonably calculated to accomplish this purpose might include parenting skills training, premarital and marriage counseling, and mediation services; activities to promote parental access and visitation; job placement and training services for noncustodial parents; initiatives to promote responsible fatherhood and increase the capacity of fathers to provide emotional and financial support for their children; and crisis or intervention services.

(2) Previously authorized activities

This statutory provision allows States to use Federal TANF funds for specific activities that had been previously authorized based on an approved title IV-A or IV-F plan and using the same eligibility criteria contained in the approved plan. While the purposes of the TANF program are very broad, some activities that are not now permissible had been included in a State's approved AFDC plan, JOBS plan, or Supportive Services plan as of September 30, 1995 (or, at State option, as of August 21, 1996). Examples of such activities are juvenile justice and certain State child welfare and foster care activities that were included in many States' approved plans. A State may continue to provide these services or benefits that were previously authorized, notwithstanding the prohibitions in PRWORA (under section 408 of the Social Security Act). For example, if a State's approved AFDC plan as of September 30, 1995, allowed it to assist children in the juvenile justice

system, then it may continue to use TANF funds for such activities even though the child is not living with a parent or other adult caretaker relative.

In providing previously authorized services, a State must choose one of these two dates (i.e., either 9/30/95 or 8/21/96). It should consider two things in deciding which date to choose. First, if it previously covered juvenile justice services under its Emergency Assistance program and wants to continue to do so under TANF, it must elect the September 30, 1995, date. Since the Department notified States that juvenile justice services would no longer be approved in a State plan on September 30, 1995, juvenile justice activities would not be allowable if a State elected the August 1996 date. Second, if a State significantly amended its State plan after September 30, 1995, to expand coverage of child welfare or State foster care services or to provide other expanded benefits, it must choose the latter date if it wants to continue those benefits under TANF and they are not otherwise allowable.

(3) Transfers

A State may transfer a total of up to 30% of its TANF funds for a fiscal year to the Child Care Development Fund (CCDF) and the Social Services Block Grant program (SSBG). However, it may transfer no more than 10% (4.25% beginning in fiscal year 2001) of the grant amount for a fiscal year to the SSBG. If a State transferred 10% of its annual TANF grant to SSBG, then it could transfer up to 20% of the annual grant to CCDF. Once a State transfers funds to either program, it must use the funds in accordance with the rules of the receiving program.

Child care is critically important to accomplishing the goals of TANF. Since most States are unable to fulfill the demand and need for child care with their CCDF funds, they should look to TANF as another vehicle for expanding the availability of child care. They could either transfer the Federal TANF funds to CCDF or spend TANF and/or MOE funds directly on child care. Also, by transferring funds or expending TANF funds on child care services, States could make additional funds available to expand child care quality activities under CCDF. These quality activities could include funding professional development activities, increasing payment rates to allow for better compensation of child care workers, and establishing or enhancing incentives for providers who attain accreditation.

State Maintenance-of-Effort (MOE) Funds

➤ “Eligible families”

The law requires that for each fiscal year, a State must spend State funds in an amount equal to at least 80% of the amount it spent in FY 1994. But, if the State meets the minimum work participation rate requirements for all families and two-parent families, then it need expend only 75% of the amount it spent in FY 1994. Under the TANF MOE provisions, a State may expend these State MOE funds on a wide variety of services, benefits, and supports that help families become self-sufficient.

A State must use all of its MOE funds to help “**eligible families.**” **Eligible families** must meet two criteria: (1) include a child living with his or her custodial parent or other adult caretaker relative (or a pregnant woman); and (2) be financially eligible according to the appropriate income/resource standards established by the State in its TANF plan. “**Eligible families**” includes those eligible for TANF assistance, as well as those who would be eligible, but for the time limit on the receipt of federally funded assistance or PRWORA's restrictions on benefits to immigrants. Thus, “**eligible families**” may include certain non-citizens.

➤ Qualified activities

Qualified activities to help **eligible families** include:

- cash assistance, including any part of the State’s share of the child support collection on behalf of the family that is sent to the family and disregarded in determining the family’s eligibility for and the amount of assistance;
- child care assistance;
- educational activities to increase self-sufficiency, job training and work (except for activities or services that the State makes generally available to its residents without cost and without regard to their income);

- administrative costs in connection with any of these activities, subject to a 15% limitation;
- any other services or benefits that are reasonably calculated to accomplish a purpose of the TANF program.

Thus, a State must expend all of its MOE funds to help **eligible families** in a manner that is reasonably calculated to accomplish one or more of the four purposes of the TANF program. State spending on families that are not eligible for TANF does not count toward the State's MOE requirement.

➤ **Funding options**

As the following figure indicates, States may spend their MOE funds in three different ways:

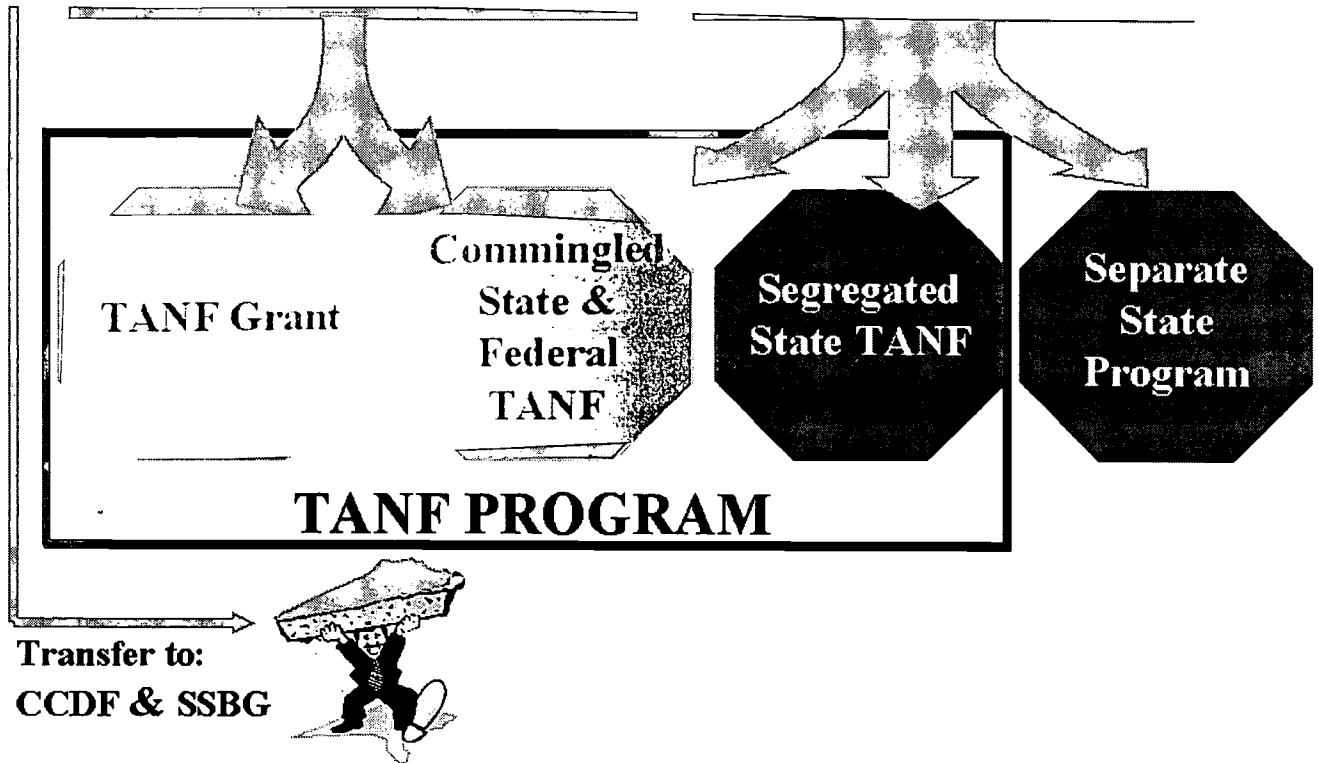
- **Commingled** with Federal funds and expended in the TANF program. These expenditures are the least flexible because they are subject to Federal funding restrictions, TANF requirements, and MOE limitations.
- **Segregated** from Federal funds, but spent in the TANF program. These expenditures are subject to many TANF requirements, including the work participation requirements, child support assignment and reporting. However, time limits and Federal funding restrictions (such as teen parent restrictions) do not apply.
- In **separate State programs**, operated outside of the TANF program. These expenditures are very flexible and not subject to the general TANF requirements. However, they must be consistent with the goals of the TANF statute and other MOE requirements. Also, they are included within the 15% administrative cap for MOE expenditures, and they are covered by case-record reporting requirements under some circumstances.

Given these possibilities, States have the opportunity to tailor their programs and services in ways that are appropriate for them and best suited to address the needs of **eligible families** in their State.

Potential Funding Options

Federal TANF Funds

State MOE Funds



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Appropriate Uses of Funds

The TANF program provides tremendous flexibility for funding a wide variety of activities, supportive services, and benefits to accomplish the purposes of the program. The following lists identify some possible uses of Federal TANF or State MOE funds.

Support for Work Activities

- ◇ Provide job search, job placement, transportation, and child care services to TANF applicants from the beginning of the TANF application period
- ◇ Provide work experience and case management to individuals with employment barriers, such as little or no work history
- ◇ Subsidize wages directly or through an employer. Provide subsidies to help pay for the creation of community jobs for needy parents in private, non-profit or community agencies
- ◇ Help unemployed needy noncustodial parent by providing job skills training, re-training, job search, employment placement services, or other work-related services
- ◇ Provide job retention services or post-employment follow-up services, such as counseling, employee assistance, or other supportive services
- ◇ Pay refugee services providers to provide linguistically and culturally appropriate services that help refugee TANF recipients obtain employment or participate in work activities
- ◇ Provide specialized training for supervisors or job coaches in private industry on how to work with newly hired TANF individuals who have serious barriers to employment—or reimburse employers for the time supervisors spend in such training

- ◇ Subcontract with business organizations or associations to expand participation of employers in welfare-to-work initiatives and encourage the hiring of TANF recipients
- ◇ Conduct a State public awareness campaign designed to inform employers about the benefits of hiring TANF recipients and encourage employers to alert the TANF office when they have job openings

Child Care

- ◇ Transfer Federal TANF funds into the Child Care and Development Fund to support “quality activities,” e.g., to help child care providers attain accreditation and increase monitoring and unannounced inspections of child care settings
- ◇ Counsel needy parents about health, safety, educational, social, and emotional development issues to consider in selecting child care
- ◇ Provide full-day/full-year high quality child care services for young children in needy families by expanding or extending the hours of programs with high educational and developmental standards, such as Head Start and accredited pre-kindergarten
- ◇ Increase child care subsidy levels, especially for infant and toddler care, to expand the availability of care for needy families
- ◇ Increase child care payment rates for child care offered during non-traditional hours in order to expand the availability of such care
- ◇ Expand child care staff recruitment activities to increase the availability of care for needy families, especially in areas of short supply such as care for children with special needs, sick-child care, care in rural areas, and care during non-traditional work hours
- ◇ Fund after-school and summer recreation activities that provide supervision and developmental services for children and youth while their needy parents work

Transportation

- ◇ Provide transportation allowances to cover incidental expenses and participation-related expenses for unemployed families
- ◇ Provide transit passes or tokens
- ◇ Arrange with another agency to use its buses or vans or share in the costs of purchasing transportation services
- ◇ Invest in reverse commute projects and other local initiatives to improve the existing transportation network so that needy parents can access jobs
- ◇ Reimburse clients for mileage, auto repairs, or auto insurance to facilitate finding employment and job retention
- ◇ Contract with a private organization or service to refurbish previously owned cars and provide the cars to TANF recipients or provide financing support that enables recipients to purchase a car
- ◇ Subsidize costs of transporting needy children to child care

Education and Training

- ◇ Train employed recipients, former recipients, and noncustodial parents in job-related vocational and literacy skills needed for regular, full-time employment
- ◇ Fund education or job training activities at colleges and secondary and technical schools that promote advancement to higher paying jobs and self-sufficiency
- ◇ Share with employers the costs of on-site education, such as ESL or literacy classes

- ◇ Provide classes for new, unskilled, and semi-skilled workers to teach new skills or enhance existing skills in order to improve their chances of job retention and advancement

Mental Health/Substance Abuse

- ◇ Use Federal TANF funds to provide appropriate counseling services (e.g. mental health services, anger management counseling, non-medical substance abuse counseling services) to family members with barriers to employment and self-sufficiency
- ◇ Use Federal TANF or State MOE funds to provide non-medical substance or alcohol abuse services, including room and board costs at residential treatment programs
- ◇ Use State MOE funds (that have not been commingled with Federal TANF funds) to pay for medical services (e.g., for treatment of substance or alcohol abuse not paid by Medicaid) or to provide medical coverage for families that lack medical benefits (e.g., for families ineligible for transitional Medicaid or for adults whose children are served by Medicaid or CHIP)

Domestic Violence

- ◇ Use TANF or MOE funds to help victims of domestic violence relocate somewhere else in the State or outside the State where employment or safe housing has been secured
- ◇ Collaborate with domestic violence service providers to screen and identify victims; develop safety and services plans; provide appropriate counseling, referrals and other related services; determine the need for waivers of TANF program requirements; establish procedures that will maintain confidentiality of case-record information and ensure safety; and develop appropriate staff training

Developmental and Learning Disabilities

- ◇ Arrange for the State's vocational rehabilitation agency or similar provider to provide assessment, evaluation, assistive technology and equipment, and vocational rehabilitation services to needy individuals who have physical or mental disabilities, but would not otherwise receive services (Such services may also be important to parents or caretakers who receive SSI, while their children receive TANF.)
- ◇ Provide cash assistance during the waiting period for SSI benefits for a disabled parent or disabled child in the family

Enhancing or Supplementing the Family Income or Assets

- ◇ Make loans to needy families to provide stable housing, secure a car, or for other reasons that are reasonably calculated to meet a purpose of the program
- ◇ Create a State refundable Earned Income Tax Credit Program, using State MOE funds to pay for the refundable portion of the credit
- ◇ Fund a supplemental unemployment insurance program for unemployed workers in needy families who are not eligible for benefits under the State's regular unemployment insurance program
- ◇ Provide stipends to needy parents who combine education/training and work
- ◇ Increase earnings disregards for employed parents and adult caretaker relatives
- ◇ Match the contributions of TANF eligible individuals in Individual Development Accounts (IDAs) developed either under the TANF provisions or the Assets for Independence Act

IDA benefits are not "assistance."
Also, IDA benefits and assets may
be disregarded in determining
TANF eligibility and benefits.

- ◇ Pass through to the family (and disregard) some or all of the State's share of the assigned child support collection or pass through the full amount of the child support collection by using the State's share of the assigned child support collection for part of it and using additional State MOE funds to pay the remainder
- ◇ Provide weatherization assistance or pay for home repairs
- ◇ Provide rental assistance, including security deposits, application fees, and payments of back rent to prevent evictions
- ◇ Provide a moving allowance (e.g., when a needy adult family member secures a job that is not close to the family's home)
- ◇ Inform families about the availability of the Earned Income Tax Credit and other ongoing supports for working families -- including food stamps, Medicaid, and child care

Child Welfare

- ◇ Collaborate with the child welfare agency to identify and serve children in needy families who are at risk of abuse or neglect (e.g., family counseling, vocational and educational counseling, and counseling directed at specific problems such as developmentally disabled needs)
- ◇ Provide cash assistance to needy caretaker relatives or provide appropriate supportive services (e.g., referral services, child care, transportation, and respite care) to caregiver relatives who can provide a safe place for a needy child to live and avoid his or her placement in foster care
- ◇ Screen families who have been sanctioned under TANF for risk of child abuse or neglect and provide case management services designed to eliminate barriers to compliance

Family Formation and Pregnancy Prevention

- ◇ Fund responsible fatherhood initiatives that will improve the capacity of needy fathers to provide financial and emotional support for their children
- ◇ Provide parenting classes, premarital and marriage counseling, and mediation services
- ◇ Provide counseling services or classes that focus on teen pregnancy prevention
- ◇ Fund State or local media campaigns to encourage young people to delay parenting or to encourage fathers to play a responsible role in their children's lives
- ◇ Change TANF eligibility rules to provide incentives for single parents to marry or for two-parent families to stay together

Community Development

- ◇ Issue grants to local welfare planning councils for their use in addressing TANF recipient needs within a specific locale
- ◇ Provide loans to small businesses if they agree to hire and train TANF recipients
- ◇ Fund a micro-enterprise development initiative
- ◇ Fund Community Development Corporation (CDC) projects or community-based organizations that employ TANF clients, e.g., by covering the appropriate share of planning, development, and implementation costs

General

- ◇ Use Federal TANF funds for activities for which the State had been specifically authorized per the State's approved AFDC plan, JOBS plan, or Supportive Services plan as of September 30, 1995, or, at State option August 21, 1996 -- e.g., foster care or juvenile justice activities
- ◇ Use funds to purchase food stamps from the U.S. Department of Agriculture for legal aliens who are not eligible for benefits under the Federal food stamp program
- ◇ Provide outreach activities that will improve access of needy families to medical benefits provided under the Medicaid or CHIP programs
- ◇ Contribute State MOE funds to Tribal TANF programs
- ◇ Provide training to counselors in employee and family assistance programs about the needs of the population leaving welfare

Additional Considerations

➤ The definition of "assistance"

- **Why it matters**

The word "**assistance**" and the phrase "families receiving **assistance**" are important because most of the prohibitions, restrictions, and requirements in the Act apply only when clients are receiving "**assistance**." For example, all families receiving TANF "**assistance**" (whether funded with Federal TANF or State MOE funds) must meet work participation and child support cooperation requirements. Few of the TANF program rules pertain to needy families served outside of the State's TANF program, in a separate State or local program. Also, few program rules pertain to families receiving benefits or services that do not constitute "**assistance**."

- **What is included**

"**Assistance**" includes benefits directed at basic needs (e.g., food, clothing, shelter, utilities, household goods, personal care items, and general incidental expenses) even when conditioned on participation in a work experience or community service activity. It also includes child care, transportation, and supports for families that are not employed. ("**Assistance**" is defined in §260.31 of the TANF final rule.)

- **What is not included**

"**Assistance**" excludes:

- child care, transportation, and other supportive services provided to families that are employed;
- nonrecurrent, short-term benefits, which: (1) are designed to deal with a specific crisis situation or episode of need; (2) are not intended to meet recurrent or ongoing needs; and (3) will not extend beyond four months;
- work subsidies;

- refundable earned income tax credits;
- contributions to, and distributions from, Individual Development Accounts;
- education or training, including tuition assistance (although stipends or allowances to cover living expenses would constitute "assistance");
- other services such as counseling, case management, peer support, child care information and referral, transitional services, job retention, job advancement, and other employment-related services that do not provide basic income support; and
- transportation benefits provided under a Job Access or Reverse Commute project to an individual who is not otherwise receiving **"assistance."**

➤ **Restrictions on the use of funds**

- **General prohibitions**

When planning for the provision of new or expanded services, supports, and activities, States should be aware of certain statutory requirements, restrictions, and cost principles that apply to the use of Federal TANF funds. The general prohibitions and restrictions include restrictions on providing **"assistance"** to certain teen parents, convicted felons, and individuals convicted of fraud; a prohibition on expending Federal TANF funds on medical services (except pre-pregnancy family planning); and a 15% cap on administrative expenditures. The chart attached to this paper summarizes the major restrictions and requirements that apply to Federal and State expenditures.

- **Application of general Federal grant rules**

- ✓ Any use of Federal TANF funds must be consistent with TANF purposes and applicable TANF rules.
- ✓ A State may not use Federal TANF funds to satisfy a cost-sharing or matching requirement of another Federal program unless specifically authorized by Federal law. However, to foster expenditures on transportation services that

could help low-income families access employment, section 3037 of the Transportation Equity Act for the 21st Century (Pub. L. 105-178) specifically allows States to use Federal TANF funds (up to a statutory limit) to help meet cost-sharing requirements under the Job Access program.

- ✓ A similar general restriction applies to State MOE funds; i.e., funds used to meet Federal cost-sharing requirements in other programs are generally not allowable as MOE. However, the Social Security Act specifically permits a limited amount of State funds expended to meet the State's CCDF Matching Fund requirement to count toward the State's MOE. The amount that may be double-counted is limited to the State's CCDF MOE level.
- ✓ Under the statute, States have specific authority to transfer a limited percentage of their Federal TANF funds to CCDF or SSBG. States may not transfer TANF funds to another federally funded program without specific statutory authority. (Transfer of funds means turning over the funds authorized under one program for use by administrators of another program. It also means that transferred funds are blended with other Federal funds directly awarded to the receiving program and become subject to the rules of the receiving program.)
- ✓ To carry out one of the statutory purposes of the TANF program, States may contract for expansions of services in other federally funded programs, unless it would violate Congressional intent. (Examples of possible expansions would be to contract with: (1) Head Start centers for more full-day, full-year services or infant and toddler care; or (2) adult education programs for additional ESL classes. However, States could not contract to use Federal TANF funds for inoculations; there is a specific statutory prohibition on using Federal TANF funds to provide medical services.)
 - While a State may contract for services or benefits, it may not directly transfer TANF funds into the other program.
 - A State may not use Federal TANF or State MOE funds to supplant or satisfy required State matching requirements in other programs. However, a State may generally spend TANF funds and MOE funds to supplement the services provided by other programs.

- Although States have considerable flexibility to expend TANF funds consistent with the purposes of TANF, the statutory language indicates that Congress intended for States to continue to operate their child support enforcement, foster care, and adoption assistance programs under titles IV-D and IV-E of the Social Security Act. Thus, use of TANF or MOE funds to supplant State spending in these programs is not allowable.
- ✓ Any costs charged to the TANF program must be necessary, reasonable, and allocable to the program.
- ✓ Office of Management and Budget (OMB) cost principles (in Circular A-87) also address the requirements and bases for allocating costs that may be associated with more than one Federal program or a non-Federal program. Basically, total allowable costs can consist of direct and indirect costs. A cost is either direct or indirect; it cannot be both. A State first needs to determine the allowable direct costs and to assign a fair share of these costs to each program. It must then allocate the allowable indirect costs using a methodology that accurately assigns the costs in accordance with the relative benefits attributable to each program. The allocation of costs must also be consistent with section 502(a)(5) of the Agriculture, Research, Extension, and Education Act of 1998, which is designed to prevent shifting of Food Stamp administrative costs to TANF.
- ✓ A State may not use TANF funds to construct or purchase buildings or facilities or to purchase real estate. This restriction is based on the general rule, in a long line of Comptroller General decisions, that in the absence of specific legislative authority, appropriated funds may not be used for the permanent improvement of property, including construction and purchase. For example, see the decision at 42 Comp. Gen. 480 (1960).
- ✓ A State may not use TANF funds for general expenses required to carry out other responsibilities of the State or its subrecipients (e.g., building roads).

- **Use of reserved funds**

States may reserve Federal TANF funds that they receive for any fiscal year for the purpose of "providing **assistance**" under the TANF program, without fiscal year limitation. A State may only expend reserved money: (1) within the TANF

program; and (2) to provide benefits that meet the definition of "**assistance**" or on related administrative costs. This limitation precludes a State from transferring reserved funds to either the CCDF or SSBG.

General Guidance and References

For additional information on appropriate use of funds, consult the following documents:

- The final TANF Rule published in the Federal Register of April 12, 1999 (64 FR 17720). Also available online at: <http://www.acf.dhhs.gov/programs/ofa>)
- Policy announcement issued by the Office of Family Assistance (refer to TANF-ACF-PA-97-1, dated January 31, 1997) containing guidance about State spending requirements, known as maintenance of effort (MOE) (available at <http://www.acf.dhhs.gov/news/welfare/>)
- Joint guidance issued December 23, 1998, regarding the ways in which TANF, Welfare-to-Work, and Job Access funds can be used to help States and communities provide transportation services to eligible individuals (available at <http://www.acf.dhhs.gov/programs/ofa/pa-98-5.htm>)
- Office of Management and Budget (OMB) Circular A-87 describes the principles that apply for determining allowable costs. Generally, OMB-A-87 provides that costs must be both "reasonable and necessary." The cost principles of OMB Circular A-87 are designed to ensure the fair and equitable expenditure of both Federal and state funds. (Available at: <http://www.whitehouse.gov/WH/EOP/OMB/html/circular.html>)
- HHS guide on cost principles entitled Cost Principles and Procedures for Developing Cost Allocation Plans and Indirect Cost Rates for Agreements with the Federal Government (ASMB C-10), which is an implementation guide for Office of Management and Budget (OMB) Circular A-87. (For a copy of the HHS guide go to <http://www.hhs.gov/progorg/grantsnet/index2.htm>)
- TANF Program Compliance Supplement to OMB Circular A-133 (available in Part 4 of the compliance supplement for Dept. of Health and Human Services Programs at: http://www.whitehouse.gov/WH/EOP/OMB/Grants/A133_Compliance/98toc.html)
- Information on Fatherhood Initiatives is available at <http://www.calib.com/peerta/tareports/tele3.htm>
- Information on "Supporting Families in Transition: A Guide to Expanding Health Coverage in the Post-Welfare Reform World" is available at <http://www.acf.dhhs.gov/news/welfare/welfare.htm> and <http://www.hcfa.gov/medicaid/wrdl3229.htm>

Overview of TANF Provisions under Different Funding Configurations

Provision	Federally Funded TANF Programs ¹	TANF Programs Funded With Segregated State Funds ²	Separate State Programs ³
Covered by State plan	Yes	Yes	No
Needy per income stds in State TANF plan	Yes	Yes	Yes ⁴
Restricted disclosure	Applicable	Not applicable	Not applicable
Allowable expenditures	For purposes and as authorized under IV-A or IV-F as of either 9/30/95 or 8/21/96	Count toward both TANF and Contingency Fund MOEs. Must be for purposes of program and for cash asst, child care, certain education, admin costs, or other activities related to purposes	Count only toward TANF MOE (not Contingency Fund MOE). See prior column for allowable purposes.
15% admin cost cap	Yes, with ADP exception	Yes, with ADP exception	Yes, with ADP exception
Medical services	Only pre-pregnancy family planning	No specific restriction	No specific restriction
24-month work req ⁵	Yes	Yes	No
2-month work req ⁵	Yes	Yes	No
Sec. 407 work reqts ⁵	Yes	Yes	No
work sanctions ⁵	Yes	Yes	No
non-displacement	Yes	No	No
child living with relative req ⁵	Yes; "minor child" not absent beyond specified period	Yes ⁴	Yes ⁴
child support ⁵	Assignment & cooperation req'd. Share of collections to Fed govt.	Assignment & cooperation req'd. Share of collections to Fed govt.	Assignment & cooperation may not be req'd. No share of collections for Fed. Govt.
time limit on assistance ⁵	Yes	No	No
teen school attendance ⁵	Required	No requirement	No requirement
teen parent living arrangements ⁵	Must be adult-supervised	No requirement	No requirement
Federal non-discrimination statutes	4 statutes referenced in sec. 408 and other Federal employment and non-discrimination laws apply	No specific provision, but TANF beneficiaries are protected by other Federal employment and non-discrimination laws	No specific provision; other Federal employment and non-discrimination laws may apply
fraud cases ⁵	10-yr exclusion	No exclusion	No exclusion
drug felons ⁵	Receive reduced benefits	Receive reduced benefits	No provision
data reporting ⁵	Required	Required	Required if States want high performance bonus or caseload reduction credit
fugitive felons ⁵	Barred from assistance	No bar	No bar

¹ This column also applies to programs and activities where State MOE funds are commingled with Federal TANF funds.

² Under this scenario, Federal and State funds are not commingled. Thus, some, but not all, of the Federal TANF rules apply.

³ These programs count towards State MOE. They are not subject to TANF requirements, but are subject to the MOE restrictions at se 409(a)(7); e.g., they must be spent on "eligible families."

⁴ Per definition of "eligible families."

⁵ These requirements apply only when families are receiving benefits that meet the definition of "assistance."

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